Beating the odds in equine practice

How healthy is your goodwill?

Publishing a practice newsletter that pays off

NOVEMBER 1990

veterinary economics

THE MAGAZINE OF PRACTICE MANAGEMENT AND FINANCE

HOW MUCH SHOULD I SPEND ON. . .?

Plus

A NATIONWIDE SURVEY OF EXPENSES

FIRM 20814
DEC90 0319
STATISTICAL HEFER INDEX
#HOO
4520 EAST-WEST HWY
BETHESDA MD 20814

CONTENTS

VETERINARY ECONOMICS
NOVEMBER 1990

28 COVER STORY

How much should I spend on. . .? Nationwide survey report on expenses

Is there a precise formula for determining what your expenses should be? These consultants say yes—and no. There are guidelines, but the answer depends more on what you're willing to *make* than on what you have to spend.

39 PRACTICE MANAGEMENT

Do you know how to delegate?

Are you juggling more than you can handle—even when you try to delegate tasks to others? These tips on *effective* delegation can ease your load and help your staff as well.

58 EQUINE MANAGEMENT

Beating the odds in equine practice

Strong management programs and the willingness to make difficult business decisions keep these equine practitioners in the game—despite the current hard times in the horse industry.

46 HOSPITAL DESIGN

A construction nightmare turns into a dream come true

Dr. Nancy Ruff didn't bargain for the banker reluctance and contractor woes she encountered, but she overcame the obstacles and built a client-pleasing, award-winning hospital.

50 IMAGE BUILDER

How to publish a practice newsletter that pays off

Done right, a newsletter can help build client loyalty and attract newcomers at the same time. Here, consultants provide nuts-and-bolts answers to commonly asked questions about this marketing tool.

67 PRACTICE FINANCES

How healthy is your practice's goodwill?

The value of your practice is likely to slip if you ignore goodwill. Here's how to maintain this critical but often misunderstood practice asset.

Picture credits: page 74

DEPARTMENTS

2 Memo from the Publisher
7 Forecasts
8 Success File
12 Letters to the Editor
16 Practice Management Q&A
20 Money Management Q&A
72 New for You
75 Classified

8 **Noteworthy**
A report on collection procedures, the Dog Museum, and a telephone-etiquette tip.

22 **Marketing**
Visual marketing can help you sell your services and meet your patients' needs.

49 **Design Notes**
Contributing editor Dr. David Lane offers tips on finding a good contractor.

80 **Bull's Eye**
With an "abundance mentality," Dr. Marty Becker says the veterinary pie will grow.

MEMO FROM THE PUBLISHER

News flash! CVC to stay in Kansas City

I am borrowing the Memo column this month to tell you about—and invite you to—next year's Central Veterinary Conference (CVC) in Kansas City, Mo. Many of you already know about the CVC. In its first two gatherings, the conference attracted a total of more than 2,000 veterinarians to a no-nonsense, practical, scientific program and the best practice management curriculum outside of this magazine.

Promotional material will be in the mail in early 1991, but I would like you to take a minute now to consider making the CVC *the* major conference you attend next year. Why? Because the CVC—like this magazine and its sister publication, VETERINARY MEDICINE—is designed to meet your needs as a dedicated, busy, practicing veterinarian.

If you have any doubt that we put your needs first, consider this: The CVC was scheduled to be held in another city next year. Arrangements had been made, contracts were ready to sign, planning was underway—until we heard from you. "Keep it in Kansas City," you said. So we will. New plans have been made; a larger facility has been secured, and we're currently booking the best speakers available for a top-flight scientific and managerial program.

As a Kansas City area-based company, we know the city and are proud of its fine amenities, hospitality, and unsung sophistication. The city is accessible and affordable, as is the downtown site selected for next year's conference. I think you'll find that the Central Veterinary Conference offers camaraderie and continuing education in an amiable but professional environment.

As you pencil in your 1991 meeting schedule, consider spending August 24-27 in Kansas City. More information is on the way, but if you have any questions, give us a call.

Dennis M. McLaughlin

veterinary economics

Editor: Rebecca R. Turner
Managing Editor: Catherine C. Lumetta
Associate Editor: Kathleen A. Cyr
Design Director: Gregory B. Kindred
Art Director: Alison J. Fulton
Assistant Art Director: Mark E. Eisler
Editorial Intern: Kirsten Schroeder
Practice Management Editor: Ross Clark, DVM
Contributing Financial Editors: Owen McCafferty, CPA, William J. Roll, CPA
Consulting Editor: Tracy L. Revoir, DVM
Special Assignments Editor: Rebecca Gants
Editorial Assistant: Ruth Espy
Contributing Editors and Advisers: Ross Ainslie, DVM, Halifax, Nova Scotia; Alan F. Berger, DVM, Utica, Mich.; Jenks S. Britt, DVM, Russellville, Ky.; Daniel D. Chapel, AIA, Little Rock, Ark.; Warren Freedenfeld, AIA, Boston, Mass.; David P. Gallagher, Trumansburg, N.Y.; Glenn F. Hoffsis, DVM, Columbus, Ohio; Jack Kaine, MBA, Kansas City, Mo.; Harry James, DVM, Pond Creek, Okla.; Eleanor M. Kellon, VMD, Terre Hill, Pa.; David Lane, DVM, Carbondale, Ill.; Dawn G. Lennon, Coopersburg, Pa.; Herbert C. Lloyd, DVM, Arcadia, Fla.; David P. Madden, JD, Lenexa, Kan.; Marvin E. Rydberg, DVM, Lake Geneva, Wis; Peter Reardon, DVM, Phoenix, Ariz.; J.H Rosenberger, DVM, Richmond Heights, Ohio; Sam E. Strahm, DVM, Pawhuska, Okla.; Milton L. Willen, DVM, Palm Desert, Calif.; James F. Wilson, DVM, JD, Yardley, Pa.; Thomas D. Young, DVM, Toledo, Ohio

Senior Vice President
Market Development: Dale Schuler
National Sales Manager: Doug Catt
Eastern Account Manager: Jed Bean
Western Account Manager: Tracy Holmes
Inside Sales/Ad Production: Sue Weller
Advertising Assistants: Rosa Lee Metzler, Becky Lindblom

Circulation Director: Joan Roof
Circulation Manager: Rachel Lopez
Circulation Coordinator: Helen McGraw
Circulation Assistants: Bette Lilley, Sandy Hall

VMPCI
Vice President/General Manager: Dennis M. McLaughlin
Controller/Business Manager: Cary Seem

Editorial and sales office:
9073 Lenexa Drive
Lenexa, KS 66215
(913) 492-4300

BPA ABP

VETERINARY ECONOMICS (ISSN0042-4862) is published monthly by Veterinary Medicine Publishing Co., 9073 Lenexa Drive, Lenexa, KS 66215. Telephone (913) 492-4300.

Copyright © 1990 by Veterinary Medicine Publishing Co. All rights reserved. None of the content of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means (electronic, mechanical, photocopying, recording, or otherwise) without the prior written permission of the publisher. Printed in U.S.A.

Price $6.00 a copy. $30 a year (U.S.A.), $45 a year (Canada and Mexico), $65 a year (foreign). Address correspondence to Veterinary Economics, 9073 Lenexa Drive, Lenexa, KS 66215. Second-class postage paid at Shawnee Mission, Kan. and additional entry offices. Postmaster: Send change of address notice to Veterinary Economics, 9073 Lenexa Drive, Lenexa, KS 66215.

A Medical Economics Publication

NATIONWIDE SURVEY REPORT

HOW MUCH SHOULD I SPEND ON. . .?

Is there a precise formula for determining what your expenses should be? These consultants say yes—and no. There are guidelines, but the answer depends more on what you're willing to *make* than on what you have to spend.

By John Lofflin

You know only too well what your practice expenses look like. Your accountant undoubtedly showed them to you on your last financial statement. They probably look quite a bit like your net income—only larger. Much larger, in fact.

The question is, just how large should they be? If they're too large, should you cut them—or make more money to cover them? And what if they're too small? Could you make more money if you spent more?

The consultants interviewed for this article say that the expense levels in your practice ultimately depend on you and your practice philosophy. They also say that seizing control of your expenses is fundamental to controlling your practice. They note, however, that having control is *not* the same as going on a strict diet. In most cases, expense control involves analysis and understanding—not scrimping and slashing.

THE AUTHOR, a contributor to THE NEW YORK TIMES, teaches journalism at Park College, in Parkville, Mo.

When asked for advice on expenses, each consultant mentioned five basic principles:

1. It's important to create a budget. You can approach expenses more effectively by planning how to *spend* your income rather than by analyzing how you *spent* it.

2. You should monitor your expenses at least quarterly, if not monthly.

3. Consistency is the secret to building an analysis system that works effectively.

4. Your approach to expense analysis should match the reality and uniqueness of your practice.

5. Your expenses reflect both the current state of your hospital and your practice philosophy. They can be a valuable tool in guiding and shaping your veterinary practice.

Planning ahead

Columbus, Ohio, practice consultant Cynthia R. Wutchiett says that many practitioners begin the planning process by analyzing last year's expenses. "You can evaluate

whether or not you like the results," she says. "And if you don't, you ask yourself what changes you can make in your practice to get your expenses where you want them to be next year.

"I prefer to deal with expenses before the money has been spent, usually the first of the year. You can at least make preliminary decisions about spending at that time. I think the best idea is to establish a budget for all your expense categories early. It's particularly important to budget before the heartworm season begins, when you'll be too busy to give your finances enough attention."

Wutchiett, a CPA, has counseled veterinarians in the United States and Canada for 10 years. Experience tells her that the preliminary budget doesn't have to be overly detailed. She suggests

1990
SURVEY RESULTS

INDIVIDUAL EXPENSES

1989 expenses are based on *individual* share of tax-deductible practice expenses.

	All DVMs	Small animal	Mixed animal	Large animal	Equine
Salaries, bonuses, retirement for non-DVM assistants	$34,500	$45,500	$25,800	$16,800	$19,100
Salaries, bonuses, retirement for employed DVMs	$19,100	$22,500	$16,100	$15,400	$12,400
Office or hospital, mortgage or rent	$17,500	$23,400	$12,000	$8,300	$12,200
Drugs and medical supplies*	$45,600	$42,700	$49,100	$47,200	$47,300
Travel and continuing education	$1,529	$1,688	$1,210	$1,533	$2,125
New medical equipment and repairs	$4,023	$4,409	$3,602	$3,025	$4,817
Practice management consultants	$454	$638	$266	$303	$169

Base: Owner veterinarians
All figures are 1989 means (averages).

*Figures exclude retail products.
Source: VETERINARY ECONOMICS' 1990 financial survey

establishing broad ranges in each expense category, then fine-tuning your practice to fit those ranges—or, if necessary, fine-tuning the ranges to fit the actual situation in your practice.

Contributing editor, David P. Gallagher, who teaches practice management at Cornell University, argues for starting with a more finely tuned budget document. He says a practitioner should be able to create a financial model of the practice at the outset, then use the model to determine precise levels for expenses and income. "If you do retrospective analysis, you end up simply reacting to what happened," he says. "There's no question it's possible to model a practice based on the outcomes you want to see."

Monitoring your progress

"To reach your goals, you have to monitor your budget closely," says Gallagher, also a managing partner of Veterinary Management Consultants, Trumansburg, N.Y. "I have clients whose practices I monitor throughout the year. They send me the information, and I analyze how close it is to the planned targets for each month. Then they make adjustments."

Gallagher says that monitoring expenses reinforces the decision to take financial control of your practice. But, he warns, "when you get through a crisis, it's human nature to put the problem aside and go right back to what you were doing before."

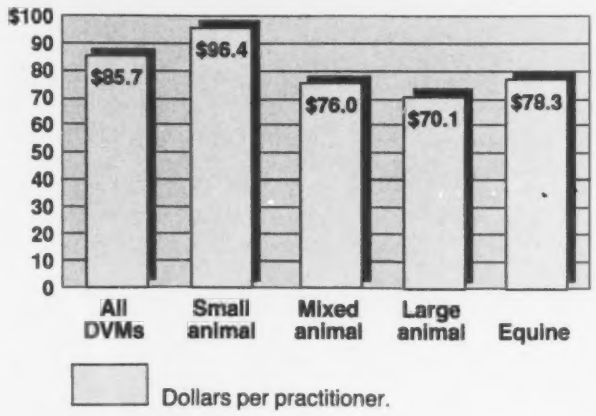
Thomas E. Catanzaro, DVM, hospital services director for the American Animal Hospital Association (AAHA), also argues for better monitoring of both expenses and income. If a practice that keeps its accounting data in a cigar box "simply adds another cigar box and marks one 'inpatient' and the other 'outpatient,' that's a starting point," he says.

Dr. Catanzaro, who holds a master's degree in health-care administration from Baylor University, developed the AAHA Management Assistance Program, which provides practitioners with tools to measure their financial performance. He teaches a system for tracking practice finances that he's honed to a dozen dots a month on sheets of graph paper. "You connect the lines each month and see which way the lines go," he says with a chuckle. "If they head the wrong direction, you begin to ask some questions. It's a tool to help veterinarians stop looking at just the tips of icebergs."

Dr. Catanzaro says that some computer programs provide practitioners with too much data and too little information. "There are programs that produce a print-out of computer paper that's four inches thick each month, but its best use is to line the bottoms of cages," he says. "Often, there's not

1990
SURVEY RESULTS

TOTAL INDIVIDUAL 1989 EXPENSES
BY PRACTICE TYPE



All figures are 1989 means (averages).
Base: Owner veterinarians
Source: VETERINARY ECONOMICS' 1990 financial survey

a shortage of data. The trick is to connect the data to usable information each month."

Establishing consistency

Dr. Catanzaro says that consistency in analysis is an important management tool, particularly where expenses and income are concerned. "It's obvious that if you're going to compare trends, you need consistency, or the comparison is meaningless," he says. To help create and maintain expense consistency, AAHA offers a "chart of accounts" for veterinary practices. Dr. Catanzaro says that the chart is becoming the industry standard—which will ultimately allow for regional comparisons.

The chart, Dr. Catanzaro explains, synchronizes income to expenses. Radiology income, for instance, is recorded under account 5380; radiology costs under 6380. The ability to compare these two numbers allows a doctor to convert data to useful information.

"I recently counseled a veterinarian who had a CPA tracking his practice's radiology expenses monthly, but nobody was tracking radiology income," Dr. Catanzaro says. "Knowing radiology expenses told the practitioner nothing." With the chart of accounts, he adds, a doctor can see his or her practice in terms of profit centers, rather than as areas of unrelated income and expenses.

Gallagher avidly supports the chart of accounts. "If enough practices use it, it will provide a national data base," he says. "That would be a tremendous resource for practitioners." For more information about the chart of accounts, contact AAHA at (800) 252-2242 or (303) 279-2500.

Remaining flexible

The AAHA chart of accounts, however, is not the only method consultants use to track practice expenses. When Wutchiett analyzes a practice, she places expenses in three broad categories: direct expenses, indirect expenses, and payroll. "That allows you to group expenses so that you are looking at similar items, which is important in understanding a practice," she says.

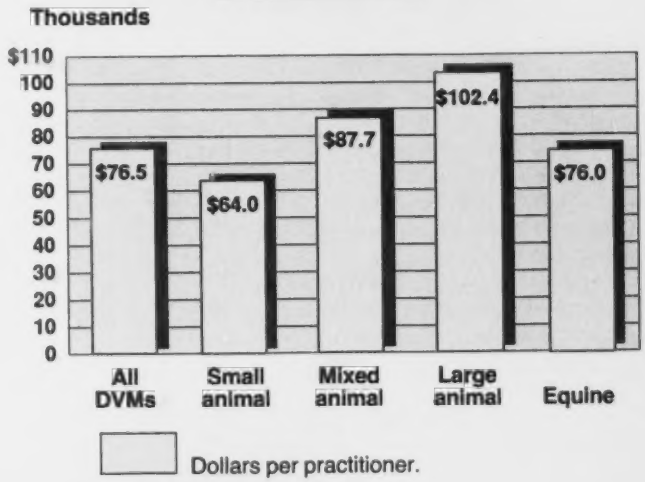
Direct expenses, she explains, are expenses that change based on client volume—drug costs, for example. Indirect expenses are not dependent on volume—*i.e.*, utility costs and insurance fees. Payroll expenses include salary, wages, benefits, and so on.

Wutchiett says that direct expenses in a small animal practice, excluding food for retail, shouldn't exceed 18 percent of gross income. She places drugs and medical supplies at about 14 percent. Indirect

1990
SURVEY RESULTS

TOTAL PRACTICE EXPENDITURES: DRUGS/MEDICAL SUPPLIES*

BY PRACTICE TYPE



*Excludes nonprescription retail products.
All figures are 1989 means (averages).
Base: Full-time practitioners
Source: VETERINARY ECONOMICS' 1990 financial survey

SPEND MORE, MAKE MORE

By Alan Bush, DVM

Veterinarians tend to spend more time focusing on expenses than they do looking for new sources of income. Nevertheless, the reality is that there is *always more income to be made.* Of course, you may have to spend time and energy looking for and developing new resources, but I believe that veterinarians lose more by income never made than by foolish spending.

In our business development program, we teach that hospital productivity may suffer if certain expenses are too low. For example, let's say the owner of a small animal practice keeps his lay-staff payroll at 9 to 12 percent of gross production. Most likely, this veterinarian is doing alone the work of at least two people—the doctor and the technician.

It's not uncommon to find a one-person practice that is running as a two-person operation—but really needs a third staff member to function efficiently. Instead of providing quality and service and developing new sources of income, such doctors are trying to do everything—and usually failing. Their practices look inefficient to clients who perceive that the doctors don't know what they're doing. It costs to give clients quality and service, but that is what good clients want.

Underspending is also a detriment to postage expense. When this expense falls below 0.25 percent of gross, recalls and internal promotions usually are being shortchanged. Cutting back on postage is false economy, because the lifeblood of most practices is routine preventive care. If you raise client response by only 5 percent, you will cover—and far exceed—the entire expense of sending additional recall materials.

An expense area that shouldn't fall below 1 percent is laboratory workups. Clients expect—at the minimum—that we will use the tools at our disposal. In some cases, doctors are aware that their clients want better-quality workups, but they are so harried that they don't do the lab work. But if you are "too busy" to do good workups, you lose patients and clients.

The simple truth is that it costs to give quality. Service takes a lot of time, effort, energy, and expense. If you don't provide it, clients have lots of other choices.

The author owns Modular Management Systems, a practice management consulting firm in Big Pine Key, Fla.

expenses, she says, should range from 12 to 14 percent, and payroll expenses should be about 18 percent, depending on how the practice is organized. Over-the-counter food costs, she says, can range as high as 10 percent in some practices.

Dr. Catanzaro reports slightly different ratios, all based on the chart of accounts. He places drugs and medical supplies from 9 to 20 percent, with a 16-percent average. "If yours are more than 20 percent, the problem is probably poor management," he says. "If they're less than 9 percent, it's poor accounting."

Dr. Catanzaro also says that nonprofessional staff costs should range from 14 to 24 percent and average 18 percent. He notes, however, that the actual percentage in any given practice will vary by practice philosophy and region. For example, practices in the southeast region, where he says salaries are low, probably will be lower in this category. Practices that use veterinary technicians effectively average at the high end of the range.

Office supplies, Dr. Catanzaro says, should range from 1.1 to 2.3 percent of gross, and computer supplies from 0.8 to 1.4 percent. If you average more than 4 percent in those two areas combined, you may be spending too much, he says. Occupancy expense ranges from 6 to 11 percent with 9 percent as the average; facility maintenance ranges from 0.9 to 3.5 percent, averaging 1.3 percent.

Lab fees range from 0.8 to 4.5

1990

SURVEY RESULTS

MEASURING INCOME vs. EXPENSES

1989 practice gross income	Individual expenses
$50,000—$89,000	$26,600
$90,000—$149,000	$57,800
$150,000—$199,000	$80,800
$200,000 or more	$109,200

All figures are 1989 means (averages). Base: Owner veterinarians
Source: VETERINARY ECONOMICS' 1990 financial survey

percent, although "there's another important element to look at here," Dr. Catanzaro says. "Income from lab fees ranges from 2 to 11 percent. If the expense is 4.5 percent but the income is 11 percent, it's a pretty good deal. It isn't if the expense is 4.5 percent and the income is 2 percent."

Shaping your practice

"Most practitioners don't believe they can invent the future to conform to their own vision," Gallagher says. "It's really a psychological problem. You have to break through that thinking—then it's a piece of cake."

Dr. Catanzaro phrases it differently: "Practitioners do not sincerely believe in their own real worth." When veterinarians analyze their expenses, he says, they tend to be more concerned with cutting back than with using what they know about expenses to increase income. "Practitioners tend to really manage expenses. They'll get in there and really manage postage expense. But if you get postage expense down really low, that only means you probably have a terrible reminder program. They're not looking at income levels at the same time."

Don Dooley, a Los Gatos, Calif., practice management consultant, is even less impressed by expenses as a management yardstick. "I've seen practitioners who tried to hit those ideal ratios and almost destroyed their practices in the process," he says. "The problem is that most accountants assume practitioners are charging all they can for their services. I come from the sales field, and my theory is that there's plenty of potential yet in the marketplace.

"When most practitioners see their profits are too low, they cut expenses. It's a natural thing. But the problem may not be expenses at all. I tell my clients, 'Don't even look at expenses. Expenses are seldom the problem.' "

What is the problem? Dooley contends that practitioners are reluctant to pass their expenses along to clients. They view expense ratios, he says, as a reflection of excess spending rather than as an indication they ought to charge more for their services.

"Expenses really reflect the way a practitioner feels about veterinary medicine," he says. "The amount of expenses often reflects what kind of medicine the veterinarian wants to practice. You see

it in staff costs and supplies. Quality, in general, costs more to provide. People who try to shave staff costs too low run the risk of interfering with quality."

Dooley and Dr. Catanzaro advocate that practitioners take a new look at their expenses. If staff costs are 18 percent of gross income, they point out, you can lower the ratio by cutting salaries or eliminating people. Or, you can lower the ratio by *increasing gross income*. "If I offer you a choice—18 percent of $100 or 18 percent of $1,000—which would you take?" Dr. Catanzaro asks.

Dooley says that excessive expenses in the drug and supply category may indicate some waste, but it still may not be cost-effective to monitor inventory more closely. High costs, he says, may indicate that you're giving away too many services.

Gallagher encourages practitioners to develop a budgeting process that begins with determining the operating expenses necessary to maintain the quality level desired for the practice. "If you then add a reasonable return on your time and capital investment, and a reasonable profit, you'll know what your gross revenues should be," he says.

Dr. Catanzaro adds that you also can increase your income by adding such services as dental prophys. "It's sometimes easier to get a client to come back with his dog three times this year when he only came back twice last year than it is to raise fees," he says.

David Lane, a Carbondale, Ill., practitioner and VETERINARY ECONOMICS contributing editor, agrees that additional services are excellent income boosters. Any equipment expense involved in a new service, he says, usually pays for itself in several months. To make the initial purchase, however, Dr. Lane argues against going into debt or leasing. Instead, he suggests building a capital fund into any budget you create.

"My position is that you're better off trying to generate the money in the practice than borrowing it," he says. "It's a pay-as-you-go philosophy. Trouble is, most practices don't think like that. They're cash-poor all the time." Dr. Lane says that 1 to 3 percent of gross income should be reinvested in the practice annually, a line item that's not likely to show up on your expense sheet—but should. ■

HOW MUCH SHOULD YOU SPEND ON A CONSULTANT?

Your colleagues report spending, on average, $454 a year for practice management consultation. The experts say you can spend more—but not more than $4,000 a year.

"It probably depends on how you use a consultant," Don Dooley explains. He says he agrees with veterinary financial consultant Owen McCafferty, CPA, who says that, as a rule, an administrator should receive about 5 percent of gross revenue, a bookkeeper and office manager 3 percent, and a consultant who makes one or two visits a year not more than 1 percent.

Dr. David Lane says consultant fees should range from $3,000 to $4,000 for an average practice, and that the service should include follow-up conversations. Why? Because "you have to reinforce the practice to make it produce," he says. "A consultant has to coach a practice's staff out of their bad habits."

David Gallagher says that a $3,600 to $4,000 range is appropriate for consulting fees—which should translate into $50,000 in additional annual gross income "over the long run."

William J. Roll, a CPA and contributing financial editor to VETERINARY ECONOMICS, says, "You have to justify any costs you incur. The question is, what is the benefit? It depends on the scale of the practice, but less than 1 percent is a good guideline. Between about 0.6 percent and 1 percent is safe." Dr. Thomas Catanzaro agrees, pointing out that the average expense for consultation is about 1 percent of gross income.

BEATING THE ODDS IN EQUINE PRACTICE

Strong management programs and the willingness to make difficult decisions keep these equine practitioners in the game--despite hard times in the horse industry.

By Rebecca Gants SPECIAL ASSIGNMENTS EDITOR

During the past five years, changes in technology and technique have enhanced the services offered by equine practitioners. At the same time, this veterinary sector has felt the effects of a depressed horse industry. But equine veterinarians who have focused on improved management strategies have stayed ahead of the game.

"The boom days in the equine business are gone," says Dr. Walter W. Zent, partner in an 18-doctor practice in Lexington, Ky. "Limited partnerships are no longer in vogue, and foreign buyers have pushed most Americans out of the top 10 percent of the thoroughbred market. When the American dollar is down, the yen and pound have clout, and more horses flow overseas. Few American trainers even attend the premier Lexington sale in July because they can't compete with the Arab buyers."

"There are fewer thoroughbred mares, and the standardbred business is way down. Fewer tax breaks mean owners are spending their own money, and they are much less willing to funnel dollars into health care," he adds.

THE AUTHOR, a business and financial writer, has covered the veterinary profession for 16 years.

Victims of circumstance

The 1963 Cornell graduate joined the 115-year-old Hagyard, Davidson & McGee in 1966. An accountant serves as business manager, but major decisions are made by the 12 partners. The medical staff includes two surgeons, two board certified internists, and three recent graduates. The other doctors focus on reproductive and preventive medicine.

"We do a fair amount of work with racehorses, but our bread and butter remains the brood mares," Dr. Zent says. "Until two years ago, the practice was growing by 10 percent every year."

In the west, overbuilding and a downturn in the oil business depressed the economy of the Rockies' eastern slope, says Dr. Charles D. Vail, who practices at a Littleton, Colo., seven-doctor equine clinic. Patients include hunters and jumpers, plus polo, backyard, and rodeo horses. Track work was phased out during the '70s, he says, when purses began shrinking. "The economic downturn caught us unaware," says the 1960 Colorado State graduate. "We became very presumptive operating a practice that had seen growth every year for 40 years."

Playing by new rules

By strengthening management tactics, these practices are showing a modest recovery (see "Surviving Equine Practice" on page 62). The doctors say that improved client communication makes a major difference in practice, especially in the area of estimating charges. (The VETERINARY ECONOMICS 1990 financial survey shows that equine veterinarians handle an average of 95.5 client visits per week.)

"We are as sensitive to marketing techniques as the small animal doctors because horses have become companion animals," Dr. Vail says. "We now place strong emphasis on routine health maintenance, geriatrics, and orthopedics. Until the 1960s, if you owned a horse, you knew how to handle the animal. Now, hobbyists need more guidance and support."

Dr. Vail provides his clients

with post-surgery handouts, information on caring for pregnant mares, occasional newsletters, nutritional counseling, and shoeing prescriptions. The practice now offers grief counseling as well. Dr. Vail notes that as the emotional value of horses increases, so does his role as a doctor. "Euthanasia of a horse requires sensitivity, especially regarding disposal," he says. "It's not easy —whether the client is a 13-year- old girl who babysits to pay the veterinary and feed bills, or an 82- year-old rancher."

Client communication is also critical when horses are a business investment. "Owners and farm managers rely on the veterinarian's judgment for an objective medical and financial prognosis," Dr. Zent says. "In the past, neonatal foals were saved at whatever cost. Now, the decision to send a premature foal to the medical clinic is weighed against the chances of obtaining an economically sound animal. Owners used to worry less about $12,000 to $15,000 bills in these cases. Now they are unwilling to spend the money without the potential to recoup these costs."

Dr. Zent's practice depends on a strong brood-mare business. The doctors offer 24-hour full service every day. Brood-mare veterinarians visit their own clients every day during the foaling season, which means 14-hour weekdays, plus weekend hours. The medical and surgical teams alternate evening hours; half of their cases are referrals from DVMs not associated with their practice. The veterinarians also advise breeding farms worldwide.

The Lexington area boasts 70 equine veterinarians. To gain a competitive edge, Dr. Zent says, "We try to hire the best veterinarians to provide the best possible service. We speak at local meetings and try to be good citizens in the community."

A STATISTICAL PROFILE OF EQUINE DOCTORS

1989 gross practice income	$327,900
1989 individual net income[1]	$53,200
1990 total average client transaction fee[2]	$61.50
1990 office call fee	$23.70
Total 1989 practice costs for drugs and medical supplies	$76,300
Average number of hours worked per week	60.3
Percentage of practices with a computer	61%

[1] Net income is reported after tax-deductible expenses but before income taxes, and includes only take-home compensation, not profits reinvested in practice.
[2] Includes client procedures, drugs, and merchandised products.
SOURCE: VETERINARY ECONOMICS' 1990 financial survey.
All figures are means (averages).

Adjusting the numbers

To boost income in the face of a decreasing horse population, equine practitioners have increased their fees—in some cases, grudgingly. In Dr. Zent's case, a palpation costs $14, up from the $12 he charged for the last six years. He considers the increase a major one, especially in light of clients who own as many as 250 mares.

In Littleton, Dr. Vail competes with mobile veterinary units, public stables, and do-it-yourself owners. Increasing gas prices for the seven $50,000 practice vehicles also creates a dilemma. "Up to 65 percent of our work is outpatient, so a 25-cent-per-gallon gas increase affects fees," he says. "The last time a gas crisis occurred, we sent clients a letter admitting we didn't know where fees would need to be adjusted. Al-

Give them
the power to be their best.

though we couldn't control gas prices, we did offer assistance by geographically scheduling elective procedures on a neighborhood basis to hold down clients' costs. To encourage owners to transport their horses to the clinic, we also promised that the office fee wouldn't change. By sharing the problem, our clients were much more cooperative with fee increases."

Dr. Vail and his partners find they can compete head-to-head through good marketing skills, including volume purchasing. "We furnish a recall system and a significant discount for cash purchases," Dr. Vail explains. "By selling drugs only to clients, we maintain a relationship even with owners who vaccinate their own animals."

Dr. Vail reports that fees for surgery with general anesthesia are up 20 to 25 percent. Three years ago, a colic without complications averaged $1,200, he says; now the cost ranges from $2,500 to $3,000. What's more, client transactions have increased 15 to 20 percent during the past three years due to fee increases and the introduction of sophisticated equipment. Dr. Vail notes that clients benefit from earlier and more accurate diagnoses.

Just in case

A perpetual dilemma for the equine practitioner is malpractice coverage. In September, 3,200 yearlings sold in Lexington —some for more than $500,000 each. Caring for such expensive thoroughbreds necessitates $6 million worth of malpractice insurance coverage for each of the 18 doctors in Dr. Zent's practice, at a cost of $4,200 each.

> "Unfortunately, some clients confuse bad results with malpractice."

For Dr. Vail, insurance has increased in the last decade from $170 per $1 million of coverage per doctor to $1,500 per $1 million. "We have been fortunate with claims, but threats of claims have increased," he says. "Our society believes that if something goes wrong, someone pays. Unfortunately, some clients confuse bad results with malpractice." To ward off claims, Dr. Vail and his partners instruct new associates to do the following:

1. Make clear explanations to clients.

2. Stay in touch with clients and relay possible complications to

Field Guide to

Colic Management In the Horse

The Practitioner's Reference

Brad J. Gordon, DVM, MS
Douglas Allen, Jr., DVM, MS, Dipl ACVS

As you well know, equine colic is the number one natural killer of horses. A misdiagnosis could mean a dead patient within 12 to 24 hours. So when you're called out by a frantic owner to examine a horse in agony, you face a serious challenge.

Field Guide to Colic Management In the Horse will aid you in the diagnosis and management of equine colic. This complete reference provides practitioners with a thorough discussion of the equine abdomen and its susceptibility to the diseases of colic. The information is practical, concise, well organized, and illustrated with charts, graphs, photographs, and drawings.

Allow 4 to 6 weeks for delivery.

Please send _____ copies of
Field Guide to
Colic Management
In the Horse
@$59.95 each to:

Veterinary Medicine Publishing Co.
9073 Lenexa Drive
Lenexa, Kansas 66215

Name _____

Address _____

City _____

State _____ Zip _____

- Postage and handling is $3 for one book and $1 for each additional book.
- Kansas residents add 5.85% sales tax.

□ Payment Enclosed
□ Visa □ MasterCard
Card No. _____
Exp. Date _____

them immediately.

3. Let the client know what a procedure involves, including after-care.

4. Provide fee estimates.

5. Handle referrals from other veterinarians professionally.

6. Be sensitive to clients.

Curbing credit

These days, Dr. Vail pays careful attention to credit and collections. "We learned our lesson from the large breeders when the economy collapsed five years ago," he laments. "A few uncollected accounts averaged $10,000 to

SURVIVING EQUINE PRACTICE

Five years ago, Littleton Large Animal Clinic in Littleton, Colo., employed nine veterinarians. Cutting the associates back to seven is just one of the tough management decisions Dr. Charles Vail made in conjunction with his two partners.

"The dynamics of equine practice make it difficult to spot trends," Dr. Vail says. "The decrease wasn't in clientele but in numbers of horses. Owners were refusing elective procedures while we were offering increasingly sophisticated services. Rather than treating horses with chronic lameness, owners would turn the animals out to pasture."

Dr. Vail says that regaining balance required six management decisions:

- releasing two associates and reducing the lay staff
- raising insurance deductibles
- tightening inventory control
- reducing perquisite benefits for the doctors
- slowing the salary schedule
- extending the life of practice vehicles and equipment.

"We do more maintenance and repair ourselves now," Dr. Vail says. "Our newest mobile unit, in a fleet of seven, has 122,000 miles on it. A few years ago we were spending up to 12 percent of gross for new equipment; now we're in a defensive position." In fact, the senior partners have joined the night rotation to compensate for the staff reduction.

Dr. Vail reports that the renewed emphasis on service, cutting expenses, and raising fees is finally paying off. Although the doctors "were concerned, but not alarmed," the second quarter of 1990 brought the first hint of growth in three years. "Our next step is specialization in cardiology and neurology," Dr. Vail says. "The plan is to gain referrals by providing the general-hospital concept to equine owners."

The power of prevention.

Strongid® C

The first continuous dewormer for horses.
Only from Pfizer.

Pfizer Animal Health

Strongid C is a Pfizer Inc trademark for pyrantel tartrate.

pfizer

© Copyright 1990 Pfizer Inc

Circle No. 117 on Reader Response Card

$12,000." Although the equine practitioners are unable to establish a cash-only business, credit is limited to $5,000 for large breeders. New clients must pay cash; smaller operations have $150 to $250 credit ceilings. The doctors encourage cash payments for drugs and merchandise, and collections are monitored at 30, 60, and 90 days.

Dr. Zent finds that billing farms rather than clients can complicate collections. "Money an owner sends directly to the farm to pay the veterinarian is sometimes diverted to the hayman, because he's sitting in the drive and won't unload without payment. The veterinarian will come back the next day.

"But billing up to 25 owners for a single farm also is difficult. Often you have little control when the owners are in Texas or New York. In the case of new farm owners who exist on credit, collection becomes difficult when the horses have been sold or abandoned, and a $30,000 veterinary bill is still sitting on the desk."

Equine practitioner Kathy Jones of Woodland, Calif., says she's never used a collection agency. The 1979 University of California-Davis alumna practices solo within a 90-mile radius of Davis. "If a client gets behind in payment, I immediately put him or her on a payment plan and further services are rendered on a cash basis," she explains.

"The largest outstanding account I have is $900, so I gave the client a job. She's working off the balance by typing and filing for the practice." Dr. Jones requires a hefty deposit from university referrals, and she makes sure the client has paid the university before accepting a patient.

Filling a need

In practice full-time since 1988, Dr. Jones offers reproductive services, including frozen semen and embryo transfer, in an area "dense with veterinarians and under the nose of the university." Dr. Jones also offers her clients an alternate source of long-term care for horses.

Even when owners can afford surgery at the university clinic, she says, the $20-per-day boarding fee often makes total charges prohibitive. Now the university refers postop colic cases, orthopedic cases requiring casts, and intensive-care patients to Dr. Jones for follow-up. Her fee: $6 to $15 per day for boarding and care. Horses transported by Dr. Jones average a six- to eight-week stay; boarders have ranged from five days to 13 months.

Dr. Jones works out of her home and leases a 100-year-old barn with 28 "antique" stalls and an earthen floor. She convinced a breeder that she needed an incubator, autoclave, microscopes, wa-

ter bath, and other instruments on-site. Now she has access to expensive equipment with no investment, although she reimburses the owner a nominal fee when the equipment is used for other clients.

An ultrasound machine is her most expensive purchase to date. Minor surgeries, castrations, wound care, entropions, and other services that can be done using xylazine and ketamine are routine. "Competing with the university's technicians, anesthesia service, and surgery suites would be silly," she says. "Owners in this neighborhood have been trained by the university to make use of their sophisticated procedures."

Dr. Jones also "recycles" horses for additional income and medical experience. She's found that investing time and money in horses with personality problems, lameness, or other illnesses sometimes produces a functional horse that can be sold at a profit—but that's not always the case. "This is like gambling in Las Vegas—sometimes you can fix a horse, sometimes you can't," she says. "But treating problem horses, as well as oddball cases referred from the university, has repaid me a hundredfold in knowledge."

Dr. Jones estimates that 30 percent of her income comes from recycling horses and from the freelance medical illustrations she creates for the university and other practitioners during the slower months of the year. This job utilizes her bachelor's degree in studio art.

Dr. Jones employs a staff of two and says she is quickly approaching the decision to hire an associate. For now, she trusts such colleagues as Dr. Kim Gill-Favier of Dixon, Calif., to handle emergencies when she's too busy with reproductive work.

Dr. Jones reviews fees annually. If clients complain about her fees, she reminds them that her practice is not funded by the state and that she can't buy supplies in bulk. As a result, she needs to charge a call fee, unlike the university clinic. Gross income, she says, is up 11 percent, despite the recent loss of a $20,000 client who had requested lower fees. Dr. Jones decided not to oblige, she says, because full-paying clients are out there.

"Trainers want the latest in accessory drugs to enhance their horses' performances, backyard hobbyists want preventive health services, and breeders want mares to foal successfully," Dr. Jones concludes. "The patients are there." ■

VetTest 8008

EAST 800-645-3674
NY STATE ONLY 1-800-832-2275
(Except 516, 212)
LOCAL 516-536-5404
900 ORLANDO AVE.
WEST HEMPSTEAD, N.Y. 11552
Connecticut, Delaware, Maine, Maryland, Mass., New Hampshire, N.J., N.Y., Penn., Rhode Island, Vermont, Virginia, West Virginia.

SOUTH 800-423-8947
GA. ONLY 800-222-3287
LOCAL 404-441-0826
2725 NORTHWOODS PKWY. Suite B
NORCROSS, GEORGIA 30071
Alabama, Georgia, Mississippi, North Carolina, South Carolina, Tennessee.

FLORIDA 1-800-423-8947
3460 PARK CENTRAL BLVD. N.
POMPANO BEACH, FLORIDA 33065

SOUTHWEST 800-527-7421
Arkansas, Kansas, Louisiana, New Mexico, Oklahoma
TEXAS 800-442-9611
LOCAL 214-620-9941
2019 McKENZIE Suite 109
CARROLTON, TX. 75006

MIDWEST 1-800-323-1889
ILLINOIS ONLY 1-800-942-0485
LOCAL 708-729-8630
3400 W. LAKE AVE.
GLENVIEW, ILLINOIS 60025
Iowa, Illinois, Indiana, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, Wisconsin

OHIO DISTRIBUTION CENTER
10401C SHELDON RD.
MIDDLEBURG HGTS.,
OHIO 44130 1-800-362-5900

WEST 800-227-0658
CALIFORNIA ONLY 800-772-3986
LOCAL 415-357-0117
2285 POLVOROSA Suite 310
SAN LEANDRO, CA. 94577

WEST 800-423-3753
CALIFORNIA ONLY 800-372-6492
LOCAL 213-728-6095
6100 CORVETTE ST.
COMMERCE, CA. 90040
California, Nevada, Arizona, Colorado

WEST 800-426-1750
WASHINGTON ONLY 800-562-1627
LOCAL 206-254-8820
3801 N.E. 109th Ave., Suite H
VANCOUVER, WA. 98682/98661
Oregon, Washington, Idaho, Montana

WEST 800-635-8313
8504 EAST 48th Ave.
DENVER, CO. 80216
Colorado, Utah, Idaho, Wyoming
COLORADO ONLY 800-826-3254
LOCAL 303-333-5601

CONTACT YOUR BURNS SALES REPRESENTATIVE OR CALL THE DISTRIBUTION CENTER NEAREST YOU!

Available Exclusively Through
BURNS Veterinary Supply

Circle No. 106 on Reader Response Card